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Investec Holdings (UK) Limited

Report and Financial Statements
31 March 2002



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FINANCIAL HIGHLIGHTS OF THE INVESTEC UK GROUP

FINANCIAL HIGHLIGHTS
FOR THE YEARS ENDED 31 MARCH

	1998 £000	1999 £000	2000 £000	2001 £000	2002 £000
Operating income	47,406	** 47,333	199,177	260,048	246,155
Profit before tax	4,039	** 10,286	51,633	63,919	41,653
Shareholders' equity	78,324	477,564	512,615	560,579	593,048
Capital resources	163,396	563,652	635,997	684,175	751,206
Total assets	5,169,051	6,361,620	8,907,740	8,520,577	8,657,715
Staff complement	399	1,148	1,185	1,336	1,544

** For the three months ended 31 March 1999.

Investec UK Group companies were effectively consolidated under Investec Holdings (UK) Limited, the new UK holding company, on 31 December 1998.

Comparative figures for the years ended 31 March 1998 are from the audited consolidated financial statements of the predecessor UK holding company, Guinness Mahon Holdings Limited (formerly Investec Holdings (UK) Limited), Registration Number - 2685988 ENGLAND.

Investec Holdings (UK) Limited

DIRECTORATE AND CORPORATE INFORMATION

BOARD OF DIRECTORS

H S Herman (Chairman) *

B Kantor

S Koseff *

A Tapnack

SECRETARY

R J Vardy

CHIEF FINANCIAL OFFICER

S M Burgess

AUDITORS

Ernst & Young LLP, London

Registered Auditor

COMPANY REGISTRATION

Registration Number: 3636853 ENGLAND

Registered Office:

2 Gresham Street, LONDON, EC2V 7QP

Subsidiary Boards

INVESTEC BANK (UK) LTD

H S Herman (Chairman) *

A Tapnack (Chief Executive Officer)

B Fried (Chief Operating Officer)

J Abell *

G O Alford *

P K O Crosthwaite

M A Jameson-Till

B Kantor *

I R Kantor *

Sir J Chippendale L Keswick *

S Koseff *

I R Wohlman

SECRETARY

R J Vardy

CARR SHEPPARDS CROSTHWAITE LTD

F C Carr (Managing Director)

N W Bagshawe

C Brangwin

D J H Bulteel

A J Burr

P T Crosthwaite

S M Elliott

A G Evans

H S Herman *

C P Hills

B Kantor *

S Koseff *

R M Leach

I Maxwell Scott

G Nowell-Mitchell

M J S Redmayne

A T G Richards

A Tapnack *

R J B Yeldham

SECRETARY

M J S Redmayne

INVESTEC ASSET MANAGEMENT LTD

H E Flight (Joint Chairman) *

T W N Guinness (Joint Chairman) *

H J du Toit (Chief Executive)

H S Herman *

B Kantor *

S Koseff *

D L Liddell

SECRETARY

M K Slade

Non-Executive *

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 2002.

Principal activities

The principal activities of the Investec Holdings (UK) Limited and its subsidiaries ("the Group") are banking and financial services. The principal operating subsidiaries are given in note 15 to the financial statements.

Review of businesses and future developments

The main trading subsidiaries of the Group are Investec Bank (UK) Limited, Carr Sheppards Crosthwaite Limited and Investec Asset Management Limited.

This year's results represent almost entirely organic growth, with a creditable performance by Investec Bank (UK) Limited ("the Bank") against a background of exceptionally difficult business conditions. The uncertain outlook for the economy of the United States in turn affected all other markets with investors losing confidence in equities, this being exacerbated by the events of September 11. Countering this to some extent, the retail and property sectors of the UK economy have continued to perform surprisingly well, with the Bank of England proactively loosening its interest rate stance to soften the US effects on businesses here. Given these adverse trading conditions, the group has managed to maintain reasonable profitability. The Bank bought one high quality project finance business during the year, which will complement and enhance its existing project and structured finance operations. Carr Sheppards Crosthwaite Limited, private client stockbroker, and Investec Asset Management Limited, asset manager, have managed to perform reasonably well throughout the year in difficult trading conditions.

The directors aim to maintain their strategy of combined organic and acquisition-led growth, thus keeping the Group well placed to take advantage of opportunities that arise in the future. This dual approach to business development focuses on building product skills, distribution and servicing capabilities, technologies and client base. The primary driver of future development is the ability to attract and retain the people who can push the businesses to new levels. The directors value and greatly appreciate the commitment and dedication of their colleagues who have enabled the Group to deliver these results. Whilst they enter next year aware of the potential pitfalls and conscious of the uncertainties, the directors anticipate a time of great challenge coupled with major opportunities.

Share capital

There have been no changes in share capital during the year.

Results and dividends

The results for the year are shown on page 14. Movements in reserves are shown in note 27 to the financial statements.

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2002 (2001 - £ nil).

Directors and their interests

The current directors of the Company are listed on page 2 and have served throughout the year.

None of the directors had any interest in the shares of the Company or in any group companies requiring disclosure under Schedule 7 of the Companies Act 1985.

DIRECTORS' REPORT

Creditor payment policy

The Group's standard practice is to agree the terms of payment with suppliers at the time of contract and to make payments within the agreed credit term, subject to satisfactory performance.

Employees

The Group's policy is to recruit and promote on the basis of aptitude and ability without discrimination of any kind. Applications for employment by disabled people are always considered bearing in mind the qualifications and abilities of the applicants. In the event of employees becoming disabled every effort is made to ensure their continued employment. The Group's policy is to adopt an open management style, thereby encouraging informal consultation at all levels about aspects of the Group's operations, and motivating staff involvement in the Group's performance by means of Employee Share Schemes.

Donations

During the year, the Group made donations for charitable purposes in the United Kingdom, totalling £103,000 (2001 - £85,000).

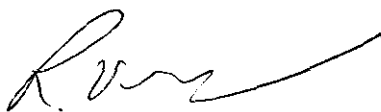
Environment

The Group is committed to pursuing sound environmental policies in all aspects of its business, and seeks to encourage and promote good environmental practice amongst its employees and within the communities in which it operates.

Auditors

On 28 June 2001, Ernst & Young, the Company's auditors, transferred their entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

By order of the Board



R J Vardy
Secretary

28 June 2002

RISK MANAGEMENT REVIEW

Risk Management is a centralised function that covers all of Investec's UK businesses, including Investec Bank (UK) Limited ("the Bank"). The Board of directors aims to promote a culture of risk awareness throughout the business and provide general management with appropriate information to ensure that all risks are fully understood, correctly measured, and prudently managed.

Carr Sheppards Crosthwaite Limited and Investec Asset Management Limited have committees which address risk management in those businesses. They cover all matters of risk including client credit matters, settlement risk, cash management and placement, counterparty and market risk, and new products and issues. They also have a broader remit to safeguard the assets of the business and to manage internal and external risks within limits and guidelines acceptable to the business. Their functions are therefore similar to those described below for the Bank but are accumulated in fewer committees in number than those of the Bank because of the greater range of specific areas of risk of the Bank, each needing to be addressed by its own committee.

The Bank's Board gives significant priority to Risk Management. Risk Management policy is set by the Board and policy statements are in place for liquidity, credit, trading and market risk. The policy statements establish the Board's appetite for risk and set out the parameters under which the Bank's business can operate. The predominant types of risk that the Bank faces are credit risk (including country risk), liquidity risk, market risk, operational risk and regulatory risk. Additional significant risks are legal risk and reputational risk.

The responsibility for the implementation of these policies in the Bank is delegated to the Director of Risk Management who reports to the Chief Executive Officer. An independent Risk Management function, appropriately resourced with specialised people and systems, assists the Director of Risk Management.

Additionally, there are a number of Risk Management committees with Board approved terms of reference and membership who have the necessary skill and experience to consider, evaluate and mitigate the risks in question.

RISK MANAGEMENT REVIEW

Risk Management Committees

The main Risk Management committees that cover the Bank's businesses and other more general risks are as follows:

Risk Committee

The Risk Committee regularly reviews the broader risks that the Group faces across its various business units. It ensures that risks are evaluated correctly and properly managed, and that they receive sufficient resources.

Audit Committee

An independent non-executive director chairs this committee. It approves the internal audit plan and examines completed internal and external audit reports. It considers the major findings and ensures, via the Audit and Compliance Implementation Committee, that recommendations are implemented where necessary. It reviews the annual financial statements and reports on them to the Board of Directors. The Audit Committee also ensures that management establishes adequate arrangements to comply with regulatory and financial reporting requirements. It receives regular reports from Risk Management, outlining enterprise-wide risk for the Bank, and from the Compliance Department on regulatory issues.

Credit Committee

This forum sanctions all counterparty and country limits. It regularly reviews loan performance, large exposures and adequacy of provisions. Its role is to ensure that credit policy is prudent, taking into account changing market trends.

Market Risk Committee

This committee approves trading and market risk limits. It reviews daily changes in the level or volatility of market prices to ensure that all positions fall within the Bank's agreed policies and limits.

Asset and Liability Committee

This forum sets the policy for liquidity and interest rate mismatch. It regularly reviews the Bank's balance sheet to ensure that it is positioned prudently and meets the agreed policies taking into account prevailing markets, and projections of business growth.

Operational Risk Committee

The role of this committee is to ensure that the Bank's business units identify, assess, regularly monitor and prioritise all substantive risks that may arise through failed processes or systems, or through human error.

Engagement and Underwriting Committees

These committees relate predominantly to investment banking and project finance. The Engagement Committee ensures that proper client due diligence is carried out prior to any new broking or advisory relationship. The Underwriting Committee ensures that any proposed share underwriting is consistent with internal policy and meets regulatory requirements before a commitment is made.

New Product Forum

This forum makes sure that all business risks are evaluated before any new product is developed, or any new market entered. It also ensures that effective processes are in place to manage these risks before trading in new products or markets commences.

RISK MANAGEMENT REVIEW

Risk Management Function

The responsibility for day to day control and monitoring of policies, procedures and limits is the responsibility of the Risk management function.

Regular reports and information are given to the executive, general managers and the Board to ensure they fully understand the risk and to demonstrate proper measurement, monitoring and prudent risk management.

It is very important that all enterprise-wide risks are regularly considered. Any change to business objectives can cause a change to the risk profile of the business. Consequently, under the guidance of Risk Management, all business units regularly review their objectives, assess the risks to prevent these objectives being achieved and ensure there is defined ownership of the risks and defined ownership of the corresponding controls.

The likelihood and impact of any risk is assessed and appropriate controls are designed to be effective taking into account the severity of the risk faced. The output from these processes is provided to Internal Audit to enable them to give assurance as part of the audit work plan that controls are working properly and all risks have been properly identified.

This is to ensure that enterprise wide risk management is embedded in the various business units.

The major risks associated with the Bank's business are:

Credit Risk

This is the risk that counterparties will be unable or unwilling to meet their obligations to the Bank as they fall due. It arises from lending and from other transactions involving on- and off-balance sheet instruments.

Risk Management has responsibility for developing and implementing policies to ensure that all exposures are properly measured, controlled and mitigated. These include geographical, product, market and individual counterparty concentrations. All exposures are checked daily against approved limits, independently of each business unit. Excesses are reported to the General Management of the Bank and escalated to the Executive where necessary.

Various tiers of credit committees make certain that all credit exposures are authorised at the appropriate level of seniority. The main UK Group Credit Committee includes executive directors and senior management independent of the line managerial function. All credit committees have to reach a unanimous consensus before authorising a credit exposure and each approval is signed by a valid quorum. Additionally, exposures beyond a certain threshold are presented to the Group Credit Committee in Johannesburg.

RISK MANAGEMENT REVIEW

Credit limits on all lending, including treasury and interbank lines, are reviewed at least annually. Arrears are strictly controlled and regular reviews are held to evaluate the necessity and adequacy of specific provisions and whether the suspension of interest charged to the customer is required. An Arrears Committee regularly reviews delinquent facilities. It ensures that agreed strategy for remedial action is implemented and that specific provisions are made where relevant.

The Bank has a focused business strategy and has considerable expertise in its chosen sectors. The majority of lending, excluding interbank placements, is secured on assets and is amortising. The main geographical credit exposure is to the UK domestic market, Continental Europe, and the United States. Risk limits permit only modest exposure to South Africa and no exposure to other emerging markets.

All treasury and trading exposures are measured and monitored using a dedicated counterparty system, which is marked to market daily. Private Bank exposures, which are less volatile, are also measured and monitored daily using a separate system.

Liquidity Risk

This risk arises from the inability of the Bank to meet its obligations as they fall due. It can arise from the withdrawal of customer deposits or interbank lines, the drawdown of existing customer facilities and asset growth.

The Bank's liquidity policy covers Sterling and currency activities and ensures prudent management of liquidity and adherence to regulatory guidelines. This policy is developed and implemented by the Asset and Liability Committee. The Bank's Centralised Treasury function has responsibility for day-to-day liquidity management.

Limits on potential cash flow mismatches over defined time horizons form the principal basis of liquidity control. Limits are also placed upon the value of deposits taken from a single source, both monthly and in aggregate. A dedicated system is used to monitor and stress test the Bank's liquidity position against different scenarios.

Generally, interbank or wholesale deposits are not used to fund risk assets in the Private Bank. Retail and Private Client deposits remain the principal source of stable and well diversified funding for Private Banking assets.

Market Risk

This is the risk that changes in interest rates or other prices and volatilities will have an adverse impact on the Bank's financial condition and results. The Bank manages market risk by identifying and quantifying all risks on the basis of current and future expectations, and by ensuring that all trading occurs within well-defined parameters.

Trading activities are controlled by a Board approved limit structure. Additionally, each member of staff who engages in trading on behalf of the Bank signs an appropriate mandate clearly defining their remit.

The Bank uses an independent comprehensive price risk system to measure market risk accurately and to ensure compliance with approved limits. All positions are marked to market daily using recognised live data feeds. These positions feed automatically into individual counterparty lines to provide accurate exposure information.

Market risk is evaluated using a combination of value at risk (VaR) and stress testing. VaR is a summary measure of potential losses over a given time horizon with a specified confidence level. A series of stress tests are applied to determine the market risk for parallel shifts and twists in the underlying yield curves, for basis risk between yield curves, and for extreme market conditions. Daily reports are produced containing this VaR and stress test information.

RISK MANAGEMENT REVIEW

Daily profitability is also analysed to ensure that all revenue streams are captured.

VaR

The following table summarises the VaR (£) figures for the year ended 31 March 2002. The figures are calculated using a 95% confidence interval and a one-day holding period.

Area	As at year end	Low	High	Average
	£000	£000	£000	£000
Commodities *	194	49	250	152
Interest Rates	562	115	682	280
Foreign Exchange	141	5	290	89
Equity Derivatives *	403	382	587	495
Investment Banking and Securities	37	5	64	25
Total trading activities *	538	498	910	679

* The VaR figures for Commodities, Equity Derivatives and IBUK total are only since 31 January 2002.

Stress Testing

The portfolio as at the year-end was stress tested under extreme market conditions and resulted in a notional loss of £4.0 million, based on a one day holding period, as can be seen from the table below:

Area	Stress Exposure
	£000
Comodities	1,453
Interest Rates	4,213
Foreign Exchange	1,057
Equity Derivatives	3,026
Investment Banking and Securities	278

Interest rate risk

The interest rate mismatch on the banking book, including the effect of interest rate contracts used for hedging purposes, as at the year-end is stated in the table below. Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date.

Investec Holdings (UK) Limited

RISK MANAGEMENT REVIEW

Year End 31 March 2002

£000	0 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Non Rate Items	Total
<u>Assets</u>							
Cash & short term funds	9,690	-	-	-	-	119	9,809
Loans & advances to Banks	891,509	-	4,273	3,549	-	-	899,331
Loans & advances to customers	976,010	17,573	26,106	69,204	51,503	2,263	1,142,659
Debt securities	377,928	243,701	216,758	66,331	-	-	904,718
	2,255,137	261,274	247,137	139,084	51,503	2,382	2,956,517
<u>Liabilities</u>							
Deposits by banks	317,425	35,329	613	-	-	-	353,367
Customer deposits	1,392,055	63,734	30,546	50,286	30,680	-	1,567,301
Debt securities in issue	75,000	-	-	-	-	-	75,000
Subordinated debt	157,625	-	-	-	-	-	157,625
Capital & net non-rate items	-	-	-	-	-	803,224	803,224
	2,255,137	99,063	31,159	50,286	30,680	803,224	2,956,517
Mismatch	313,032	162,211	215,978	88,798	20,823	(800,842)	
Cumulative Mismatch	313,032	475,243	691,221	780,019	800,842	-	

Comparatives:

Year End 31 March 2001

£000	0 - 3 Months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Non Rate Items	Total
<u>Assets</u>							
Cash & short term funds	7,902	-	-	-	-	-	7,902
Loans & advances to Banks	1,016,000	3,511	-	-	-	-	1,019,511
Loans & advances to customers	770,622	18,425	22,234	64,074	51,022	-	926,377
Debt securities	246,353	20,126	108,863	-	-	-	375,342
	2,040,877	42,062	131,097	64,074	51,022	-	2,329,132
<u>Liabilities</u>							
Deposits by banks	118,325	3,521	-	-	-	-	121,846
Customer deposits	1,227,607	12,721	20,243	69,638	29,917	-	1,360,126
Subordinated debt	123,323	-	-	-	-	-	123,323
Capital & net non-rate items	-	-	-	-	-	723,837	723,837
	1,469,255	16,242	20,243	69,638	29,917	723,837	2,329,132
Mismatch	571,622	25,820	110,854	(5,564)	21,105	(723,837)	
Cumulative Mismatch	571,622	597,442	708,296	702,732	723,837	-	

RISK MANAGEMENT REVIEW

Currency Risk

Any currency risk arising from the Bank's commercial banking and lending activities is managed within the board approved limit structure. The net aggregate position in foreign currency as at year-end was \$18.8 million versus a limit of \$65 million.

The Bank does have certain investments in foreign subsidiaries. These currency investments are not hedged and at year-end amounted to £16,234,000 (2001 - £18,580,000) (Swiss Francs £9,311,000 (2001 - £15,031,000), US Dollars £5,484,000 (2001 - £3,549,000) and Euro £1,439,000 (2001 - £nil)).

Regulatory Risk

This is the risk that any part of the Bank fails to meet the requirements or expectations of the regulatory authorities. It can also arise where changes to regulations are not anticipated or managed properly. A centralised Group Compliance function, reporting to the Chief Executive Officer, ensures regulatory compliance.

Compliance reports are reviewed regularly by the Board and Audit Committee. They are also considered by the Audit and Compliance Implementation Committee to ensure that any necessary points are actioned.

Operational Risk

This is the exposure to financial or other damage arising through system or process failure, human error, and fraud or through inadequate controls and procedures. An Operational Risk Committee considers these risks and ensures that all operational risks are evaluated and appropriately controlled. Contingency plans are in place to ensure continuity in the event of any unforeseen serious disruption to business operations. These plans are regularly reviewed and tested to ensure they can be implemented timely should events dictate.

The Bank has initiated a project to capture operational risk data, and develop a loss event database, which over time will enable more proactive operational risk management.

The Internal Audit function regularly reviews operational areas to ensure the effectiveness and appropriateness of the controls in place.

Basel Accord

The proposals are under regular review by the Board and Risk Management to ensure that the Bank is equipped to meet the new requirements as they evolve and become formal regulatory policy.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
INVESTEC HOLDINGS (UK) LIMITED

We have audited the Company's and Group's financial statements for the year ended 31 March 2002 which comprise the Consolidated Profit and Loss Account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated Balance Sheet, Company Balance Sheet and the related notes 1 to 37. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the Bank's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 March 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

28 June 2002

Investec Holdings (UK) Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
Interest receivable – interest income arising from debt securities		186,786	283,713
Interest receivable – other interest income		305,349	339,286
Interest payable		(425,875)	(552,163)
Interest expense on subordinated loans		(9,547)	(10,149)
NET INTEREST INCOME		56,713	60,687
 Fees and commissions receivable		 154,325	 164,032
Dealing profits	2	19,506	18,990
Other operating income	3	15,611	16,339
OPERATING INCOME		246,155	260,048
 Administrative expenses	4	 (185,023)	 (178,415)
Depreciation and amortisation		(22,385)	(19,688)
- tangible fixed assets	18	(6,405)	(5,406)
- goodwill	17	(15,980)	(14,282)
Provision for bad and doubtful debts	12	2,078	1,974
OPERATING PROFIT		40,825	63,919
 Profit on disposal of subsidiary undertaking		 828	 -
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		41,653	63,919
 Tax on profit on ordinary activities	7	 (8,531)	 (18,201)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		33,122	45,718
 Minority interests		 (613)	 39
 RETAINED PROFIT FOR THE YEAR		 32,509	 45,757
 Operating profit in respect of acquired operations, but excluding the related goodwill		 714	 616

Movements in the profit and loss account and reserves are shown in note 27.

Investec Holdings (UK) Limited

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2002

	Notes	2002 £000	2001 £000
RETAINED PROFIT FOR THE YEAR	29	32,509	57,168
Currency translation differences on foreign currency net investments	29	(40)	2,207
TOTAL RECOGNISED GAINS RELATING TO THE YEAR		<u>32,469</u>	<u>59,375</u>

Movements in the profit and loss account and reserves are shown in note 27.

Investec Holdings (UK) Limited

CONSOLIDATED BALANCE SHEET

at 31 March 2002

	Notes	2002 £000	2001 £000
ASSETS			
Cash and balances at central banks		9,809	7,902
Treasury bills and other eligible bills	9	-	19,914
Loans and advances to banks	10	2,375,396	1,825,312
Loans and advances to customers	11	1,927,774	1,674,907
Debt securities	13	3,684,656	4,367,397
Equity shares	14	81,291	85,748
Intangible fixed assets	17	164,367	178,863
Tangible fixed assets	18	27,761	31,953
Other assets	19	386,661	328,581
		<u>8,657,715</u>	<u>8,520,577</u>
LIABILITIES			
Deposits by banks	21	3,209,877	3,504,261
Customer accounts	22	3,389,617	3,500,595
Debt securities in issue	23	75,000	-
Other liabilities	24	1,232,015	831,546
		<u>7,906,509</u>	<u>7,836,402</u>
CAPITAL RESOURCES			
Subordinated debt	25	157,625	123,323
Minority interests - equity		533	273
Equity shareholders' funds	27	593,048	560,579
Called up share capital	26	462,332	462,332
Other reserves	27	231	325
Profit and loss account	27	130,485	97,922
		<u>751,206</u>	<u>684,175</u>
		<u>8,657,715</u>	<u>8,520,577</u>
MEMORANDUM ITEMS			
Contingent liabilities	30	120,573	93,445
Commitments	31	661,537	245,014
		<u>782,110</u>	<u>338,459</u>

The financial statements on pages 14 to 47 were approved by the Board of Directors on 28 June 2002 and signed on its behalf by:



Director

Investec Holdings (UK) Limited

BALANCE SHEET

at 31 March 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Shares in Group undertakings	15	462,332	462,332
Subordinated loan to Group undertaking	16	39,300	39,300
		<u>501,632</u>	<u>501,632</u>
CURRENT ASSETS			
Amounts due from Group undertakings within one year		109,700	85,594
Other assets – accrued income		614	762
Taxation		-	2,013
		<u>110,314</u>	<u>88,369</u>
CREDITORS – amounts falling due within one year			
Amounts due to Group undertakings		3,300	10,045
Taxation		1,981	-
NET CURRENT ASSETS		<u>105,033</u>	<u>78,324</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>606,665</u>	<u>579,956</u>
CREDITORS – amounts falling due after more than one year			
Subordinated debt	25	155,228	123,323
NET ASSETS		<u>451,437</u>	<u>456,633</u>
CAPITAL AND RESERVES			
Called up share capital	26	462,332	462,332
Profit and loss account	27	(10,895)	(5,699)
Equity shareholders' funds	28	<u>451,437</u>	<u>456,633</u>

The financial statements on pages 14 to 47 were approved by the Board of Directors on 28 June 2002 and signed on its behalf by:



Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES

A summary of the principal accounting policies is set out below.

Basis of presentation in the 2002 Annual Report

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and in accordance with applicable accounting standards. The financial statements have been prepared in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 ("the Act") relating to banking companies and banking groups, and comply with Schedule 9 to the Act.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets. These financial statements have been prepared in compliance with Part VII, Chapter II of, and Schedule 9 to, the Companies Act 1985 and in accordance with applicable accounting standards.

Prior year figures have been restated to be comparable with current year figures. Gains made on disposal of equities by the Investec Bank (UK) Limited's Private Equity division are now classified as part of operating income on the grounds that the purchase of such equities, for investment gain, is part of the normal operations of the Bank. These gains have been included in Other Operating Income. In addition, the positive and negative carrying values of derivative contracts on the balance sheet are now stated after the effect of netting.

Basis of consolidation

The Group financial statements consolidate the financial statements of Investec Holdings (UK) Limited and its subsidiary undertakings made up for the year to 31 March 2002.

Goodwill arising on acquisition (representing the difference between the fair value of the consideration given and the fair value of the separable net assets acquired) is capitalised as an intangible fixed asset and amortised on a straight line basis over its expected useful life, subject to maximum period of 20 years.

Negative goodwill arising in respect of acquisitions is included within intangible fixed assets and released to profit and loss account in the periods in which the benefit is expected to occur.

Investments in subsidiaries

Investments in subsidiaries are shown at cost less any provision for impairment in value.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at market rates of exchange ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rates ruling at the time of the transactions. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

In the Group financial statements, exchange differences arising from the translation of the opening net assets of foreign subsidiaries at closing rates of exchange are taken to reserves.

Income recognition

Interest receivable is recognised in the profit and loss account as it accrues. Interest receivable which is overdue and in the view of management may not be collected, is removed from income and suspended. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Fees and commissions include fees earned from providing advisory services and arranging financing for clients. All such fees and commissions are credited to income when the related service is performed.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES (continued)

Pension plan costs

The Group has both contributory and non-contributory schemes in operation. Pension plan costs in respect of members of defined contribution (money purchase) schemes are charged to profit and loss as they fall due. The expected cost of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the schemes. Variations from the regular cost are spread over the expected remaining service lives of current employees in the schemes.

Loans and advances

Commercial loans and advances are stated in the balance sheet after deduction of amounts which, in the opinion of the directors, are required as specific or general provisions.

Specific provisions are made against advances when recovery is doubtful. In addition, general provisions are maintained to cover losses which, although not specifically identified, are known to be present in any portfolio of bank advances. A number of complex and changing factors are collectively weighed by management in determining the adequacy of the provisions. These factors include management's views of the extent of existing risks in the loan portfolio and of prevailing economic conditions.

The aggregate provisions which are made during the financial year (less amounts released and recoveries of bad debts previously written off) are charged against operating income. Doubtful debts are written off in part or in whole when the extent of the loss incurred has been determined.

Client monies

Cash balances held on behalf of stockbroking clients are included in loans and advances to banks. The related creditor is included in settlement creditors.

Finance leases

Assets leased to customers are accounted for as finance leases where the minimum lease payments receivable, discounted at the prevailing interest rate, amount to substantially all of the fair value of the equipment on lease at inception.

The difference between the total of the minimum lease payments receivable and the fair value of the equipment on lease at inception represents finance income which is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease.

The investment in finance leases is included in loans and advances to customers at the total of the minimum lease payments receivable under such leases less finance income allocated to future periods.

Operating leases

All other assets leased to customers are classified as operating leases. Equipment on an operating lease is capitalised as a fixed asset and is stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis to write off the cost (in some cases down to a residual value) over the primary lease term.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES (continued)

Arranged leases

Arranged leases are operating leases where prior to commencement of the lease, the Group sells the rental stream of the primary lease period to a financial institution. The Group generally retains its interest in the residual benefits of the leased equipment after the end of the primary lease period.

The residual benefits are attributed a residual value which, based on management's experience and judgement, is the minimum prudently expected to be realisable after the end of the primary lease period. Residual values are regularly reviewed and are stated at the revised attributed values.

The difference between the proceeds from the sale of the rental stream and the cost of the leased equipment (net of the residual value) is included in net interest income.

Debt securities and equity shares

Debt securities and equity shares intended for use on a continuing basis are disclosed as investment securities and are stated at cost less any provision for impairment in value. Any premium or discount, representing the difference between cost and redemption proceeds, is amortised over the period to redemption and included in interest income.

Other debt securities and equity shares and short positions in securities are included in the balance sheet at market value. Changes in the market value of such assets and liabilities are recognised in the profit and loss account as 'Dealing Profits' as they arise. Equity shares received in lieu of corporate finance fees are included in dealing securities and valued accordingly.

Repurchase agreements are treated as loans and deposits collateralised by negotiable securities where substantially all the risk and rewards of ownership of the securities are retained. Accordingly, securities sold under agreements to repurchase are treated as assets and the related obligation as a liability. Conversely, securities purchased under agreements to resell are not treated as assets but instead the related advance is included as an asset.

Wholesale money market loans and deposits held in the trading book are stated at market value and gains and losses arising from this revaluation are recognised in the profit and loss account as 'Dealing Profits'.

Netting

Sale and repurchase transactions where the assets and liabilities are not separate, as defined by FRS 5 - Reporting the Substance of Transactions, have been netted and the resultant net liability is included on the balance sheet.

Stock borrowing and lending

Stock borrowing and lending transactions are reflected in assets and liabilities to the extent that the respective collateral given or received is in cash. Transactions against non-cash collateral are disclosed in note 29 to the financial statements.

Tangible fixed assets

Fixed assets are stated at cost, less depreciation provided on a straight line basis at rates calculated to write off the assets over their anticipated useful lives. Premiums on leases are stated at cost and are amortised over the unexpired period of the lease. The depreciation rates used are as follows:

Leasehold property	-	Over the remaining period of the lease
Leasehold improvements	-	Over the shorter of 20 years or the remainder of the lease term
Computer hardware and software	-	20% to 50% per annum
Furniture and fittings	-	20% per annum
Motor vehicles	-	25% per annum

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

1. ACCOUNTING POLICIES (continued)

Dealing properties

Interest on borrowings that finance the refurbishment of certain dealing properties has been capitalised. Capitalisation commences on the date refurbishment is started, and continues until practical completion.

Dealing properties have been valued at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent periods.

Deferred tax is recognised in respect of the future remittance of retained earnings of overseas subsidiaries only to the extent that, at balance sheet date, dividends have been accrued as receivable (or a binding agreement to distributed past earnings in future has been entered into by the subsidiary).

Deferred tax is measured at a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Derivatives (off-balance sheet financial instruments)

Transactions are undertaken in derivative instruments for trading and non-trading purposes. Derivative instruments include futures, forward, swap and option transactions undertaken by the Group in the foreign exchange, interest rate, bullion, base metal and equity markets. In addition, the Group buys and sells credit derivatives. Netting is applied when a legal right of set-off exists. Accounting for these instruments is dependent upon whether the transactions are undertaken for trading or non-trading purposes.

Trading derivatives are stated at market value at the balance sheet date and gains or losses arising are recognised in the profit and loss account as 'Dealing Profits'. Assets, including gains, resulting from derivative instruments which are marked-to-market are included in 'Other Assets'. Liabilities, including losses, resulting from such contracts are included in 'Other Liabilities'. Netting is applied where a legal right of set-off exists.

Non-trading derivatives are either interest rate swaps or futures contracts which are used to hedge certain risks inherent in the Group's balance sheet or credit default swaps purchased to take additional credit risk in the banking book. Profits and losses arising on these instruments, measured on an accrual accounting basis, are reported in net interest income.

Parent company profit and loss account

The Company has taken advantage of the exemption in s230 of the Companies Act 1985 not to present its own profit and loss account. The Company's loss for the year, determined in accordance with the Act, was £5,196,000 (2001 - £5,699,000).

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

2. ANALYSIS FROM INCOME FROM DEALING IN FINANCIAL INSTRUMENTS

	<i>Dealing profits</i>	<i>Dividends and net interest income</i>	<i>Total</i>	<i>Dealing profits</i>	<i>Dividends and net interest income</i>	<i>Total</i>
	2002	2002	2002	2001	2001	2001
	£000	£000	£000	£000	£000	£000
	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>
Interest rate instruments	2,964	9,783	12,747	1,521	9,931	11,452
Foreign exchange contracts	2,637	29	2,666	3,314	4	3,318
Dealing properties	1,082	-	1,082	5,271	-	5,271
Bullion and base metals	6,834	(273)	6,561	(331)	(6)	(337)
Equities and other	5,989	(585)	5,404	9,215	(82)	9,133
	<u>19,506</u>	<u>8,954</u>	<u>28,460</u>	<u>18,990</u>	<u>9,847</u>	<u>28,837</u>

3. OTHER OPERATING INCOME

	2002	2001
	£000	£000
	<i>Group</i>	<i>Group</i>
Property rental income	1,053	493
Dividend income	885	210
Profit on realisation – equities	10,319	15,593
Other	3,354	43
	<u>15,611</u>	<u>16,339</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

4. ADMINISTRATIVE EXPENSES

	2002 £000 Group	2001 £000 Group
Staff costs		
Wages and salaries	108,349	103,070
Social security costs	9,149	10,834
Other pension costs	10,185	6,406
Auditors' remuneration		
Audit services	677	603
Other services	471	360
Premises and equipment (excluding depreciation)	19,092	20,213
Other administrative expenses	37,100	36,929
	<u>185,023</u>	<u>178,415</u>

Other pension costs include £1,214,000 (2001 - £1,868,000) in respect of two non-contributory defined benefit schemes. Scheme assets are held in separate trustee administered funds.

The most recent full actuarial valuation of the main scheme was performed as at 31 March 2000 by a qualified actuary. The pension cost relating to the scheme was determined using the attained age method. The assumptions which had the most significant effect on the results of the valuation are those relating to the real rate of return on investments both before and after retirement. In the valuation it was assumed that the investments would earn a rate of return of 1.4% per annum in excess of the rate of growth of salaries up to the normal retirement date. The market value of the scheme's assets as at 31 March 2000 was £72,507,000 and the actuarial value of those assets represented 103% of the value of the liabilities in respect of the benefits that had accrued to members after allowing for expected future increases in earnings.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

4 ADMINISTRATIVE EXPENSES (continued)

An actuarial valuation of the scheme was re-performed as at 31 March 2002 by an independent qualified actuary using a set of assumptions consistent with the requirements of FRS17.

The major actuarial assumptions used as at 31 March 2002 were:

Discount rate	6.00% pa
Rate of increase in salaries	4.25% pa
Rate of increases in pensions in payment for pre 1997 pension	1.83% pa
Rate of increases in pensions in payment for post 1997 pension	2.75% pa
Inflation	2.75% pa

The assets held in the scheme and the expected rates of return at 31 March 2002 were:

	Value £000's	Long term rate of return expected
Equities	34,539	7.25%
Gilts	24,405	5.25%
Insurance policy	10,161	6.25%
Cash	1,655	4.00%
Total market value of assets	<u>70,760</u>	

The following amounts as at 31 March 2002 were measured in accordance with the requirements of FRS 17:

	£000's
Total market value of assets	70,760
Present value of plan liabilities	68,331
Surplus in the plan	2,429

If FRS 17 was adopted in full as at 31 March 2002, the net pension surplus in respect of the scheme would not be recognised in the Consolidated Balance Sheet of the Company as it is not considered to be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

5. ADMINISTRATIVE EXPENSES - AVERAGE NUMBER OF EMPLOYEES

The average number of persons employed by the Group during the year was made up as follows:-

	2002 Number Group	2001 Number Group
Investment banking	171	130
Private client banking activities	324	240
Treasury and financial activities	136	108
Group services and other activities	196	163
Private client stockbroking	416	407
Asset management	301	288
	<u>1,544</u>	<u>1,336</u>

6. EMOLUMENTS OF DIRECTORS

	2002 £000 Group	2001 £000 Group
All directors		
Aggregate emoluments (excluding pension contributions)	697	674
Pension contributions to money purchase pension schemes	38	37
	<u>735</u>	<u>711</u>
Highest paid director		
Aggregate emoluments (excluding pension contributions)	455	432
Pension contributions to money purchase pension schemes	19	18
	<u>474</u>	<u>450</u>
 Number of directors in money purchase pension schemes	 <u>2</u>	 <u>2</u>

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £000 Group	2001 £000 Group
Corporation tax	2,365	13,177
Overseas tax in respect of prior periods	1,138	-
Overseas tax	2,415	2,258
Current tax charge	5,918	15,435
Deferred taxation	2,613	2,766
Tax on profit on ordinary activities	8,531	18,201

The effective tax rate is 20.5% (2001 - 28.5%). The current tax charge is lower than that which would arise at the standard rate of UK Corporation Tax, due to the following reconciling items.

	2002 £000,000 Group	2001 £000,000 Group
Tax on £41.6 (2001 - £63.9) million at UK rate of 30%	12.5	19.2
Utilisation of capital and trading losses	(4.8)	(4.6)
Prior year adjustment	(3.1)	-
Overseas profits	(0.6)	(2.4)
Capital allowances in excess of depreciation	(5.5)	(3.6)
Goodwill	4.8	4.3
Permanently disallowed items for corporation tax purposes	1.3	1.0
Allowable deductions	(2.6)	-
Other timing differences	3.9	1.5
Current tax charge as above	5.9	15.4

At the balance sheet date, the Group has carried forward trading losses amounting to £14,755,000 (2001 - £16,755,000) available for utilisation against future taxable income, subject to some restrictions. £6,000,000 (2001 - £6,000,000) of these losses have been recognised as a deferred tax asset (see Note 20).

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

8. SEGMENTAL AND CURRENCY ANALYSIS

Substantially all of the business of the Group is transacted within the British Isles and Eire.

	2002 £000 Group	2001 £000 Group
Operating income		
Investment banking	55,444	74,588
Private client banking activities	49,620	35,683
Treasury and financial activities	34,374	19,334
Group services and other activities	10,083	18,840
Private client stockbroking	53,170	55,603
Asset management	43,464	40,407
	<u>246,155</u>	<u>244,455</u>
Profit on ordinary activities before taxation		
Investment banking	16,387	35,300
Private client banking activities	15,723	10,699
Treasury and financial activities	9,684	6,970
Group services and other activities	(12,901)	(1,713)
Private client stockbroking	10,324	9,689
Asset management	2,436	2,974
	<u>41,653</u>	<u>63,919</u>
Total assets		
Investment banking	147,257	178,317
Private client banking activities	1,472,065	1,262,987
Treasury and financial activities	6,106,123	6,268,127
Group services and other activities	306,934	255,748
Private client stockbroking	565,974	513,876
Asset management	59,362	41,522
	<u>8,657,715</u>	<u>8,520,577</u>
Net assets		
Investment banking	29,317	39,778
Private client banking activities	182,862	180,822
Treasury and financial activities	224,861	172,642
Group services and other activities	262,404	252,164
Private client stockbroking	31,633	23,288
Asset management	20,129	15,481
	<u>751,206</u>	<u>684,175</u>
Total assets currency analysis		
Denominated in sterling	7,500,873	7,602,653
Denominated in foreign currencies	<u>1,156,842</u>	<u>917,924</u>
	<u>8,657,715</u>	<u>8,520,577</u>
Total liabilities currency analysis		
Denominated in sterling	7,478,320	7,701,349
Denominated in foreign currencies	<u>1,179,395</u>	<u>819,228</u>
	<u>8,657,715</u>	<u>8,520,577</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

8. SEGMENTAL AND CURRENCY ANALYSIS (continued)

The segmental analysis includes the following amounts for acquired operations.

	2002 £000 Group	2001 £000 Group
Operating income		
Investment banking	-	-
Private client banking activities	-	2,737
Treasury and financial activities	865	-
Group services and other activities	-	-
Private client stockbroking	-	-
Asset management	-	-
	<u>865</u>	<u>2,737</u>
Profit on ordinary activities before taxation		
Investment banking	-	-
Private client banking activities	-	616
Treasury and financial activities	714	-
Group services and other activities	-	-
Private client stockbroking	-	-
Asset management	-	-
	<u>714</u>	<u>616</u>
Total assets		
Investment banking	-	-
Private client banking activities	-	5,499
Treasury and financial activities	1,113	-
Group services and other activities	-	-
Private client stockbroking	-	-
Asset management	-	-
	<u>1,113</u>	<u>5,499</u>

9. TREASURY BILLS AND OTHER ELIGIBLE BILLS

The Group held eligible bills amounting to £nil (2001 - £19,914,000) within its trading book. The unrealised gain included in the carrying value of the bills amounts to £nil (2001 - £188,000).

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

10. LOANS AND ADVANCES TO BANKS

	2002 £000 Group	2001 £000 Group
Remaining maturity:		
Repayable on demand	364,711	254,513
Up to three months, excluding on demand	1,648,642	1,248,441
Three months to one year	350,855	322,358
One year to five years	3,549	-
Over five years	7,639	-
	<u>2,375,396</u>	<u>1,825,312</u>
Balances with Group companies	<u>-</u>	<u>-</u>
Loans and advances to banks comprise:		
Trading book	1,476,065	805,801
Banking book	899,331	1,019,511
	<u>2,375,396</u>	<u>1,825,312</u>

Trading book loans of £1,251,933,000 (2001 - £773,485,000) are secured with government securities under sale and repurchase agreements.

Loans and advances to banks include £466,072,000 (2001 - £424,195,000) of client monies held in respect of stockbroking clients.

At the year-end, £5,898,000 (2001 - £6,461,000) was held on blocked deposit to secure loan notes issued as purchase consideration for the buy out of a minority interest.

11. LOANS AND ADVANCES TO CUSTOMERS

	2002 £000 Group	2001 £000 Group
Remaining maturity:		
Repayable on demand	-	-
Up to three months, excluding on demand	882,404	1,003,743
Three months to one year	264,019	202,442
One year to five years	349,156	241,379
Over five years	448,912	245,476
Provision for bad and doubtful debts (Note 12)	(16,717)	(18,133)
	<u>1,927,774</u>	<u>1,674,907</u>
Balances with Group companies	<u>89,130</u>	<u>171,657</u>
Loans and advances to customers comprise:		
Trading book	785,115	748,530
Banking book	1,142,659	926,377
	<u>1,927,774</u>	<u>1,674,907</u>

Trading book loans and advances to customers of £550,351,000 (2001 - £667,958,000) are secured with government securities under sale and repurchase agreements.

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

12. PROVISION FOR BAD AND DOUBTFUL DEBTS

<i>Group</i>	<i>Specific</i>	<i>General</i>	<i>Total</i>	<i>Specific</i>	<i>General</i>	<i>Total</i>
	<i>2002</i>	<i>2002</i>	<i>2002</i>	<i>2001</i>	<i>2001</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>	<i>Group</i>
At beginning of year	6,902	11,231	18,133	10,048	12,075	22,123
Exchange movements (Released) / charged	(16)	6	(10)	499	100	599
against income	(1,489)	2,502	1,013	(710)	(944)	(1,654)
Utilised	(2,419)	-	(2,419)	(2,935)	-	(2,935)
At end of year	<u>2,978</u>	<u>13,739</u>	<u>16,717</u>	<u>6,902</u>	<u>11,231</u>	<u>18,133</u>

The (release) / charge for bad and doubtful debts in the consolidated profit and loss account comprises:

	<i>2002</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>
	<i>Group</i>	<i>Group</i>
Charged / (Released to) against income, as above	1,013	(1,654)
(Recovery) of a debt previously written off	(3,091)	(320)
	<u>(2,078)</u>	<u>(1,974)</u>

The year-end specific provision includes an amount of £553,000 (2001 - £745,000) of interest in suspense.

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

13. DEBT SECURITIES

	2002 £000 <i>Group</i>	2001 £000 <i>Group</i>
Dealing and market making securities at market value		
Unlisted bank and building society certificates of deposit	2,779,938	3,992,055
	<u>2,779,938</u>	<u>3,992,055</u>
Investment securities at cost		
Government securities	6,619	6,206
Unlisted bank and building society certificates of deposit	831,417	368,642
Other unlisted debt securities	66,682	494
Total debt securities	<u>3,684,656</u>	<u>4,367,397</u>
Investment securities		
At beginning of year	375,342	366,966
Exchange movements	(81)	54
Additions	3,248,342	2,766,492
Matured	(2,668,809)	(2,758,170)
Disposals	(50,076)	-
At end of year	<u>904,718</u>	<u>375,342</u>
Due within one year	838,387	375,342
Due one year and over	66,331	-
	<u>904,718</u>	<u>375,342</u>

The cost of dealing and market making securities has not been disclosed, as it cannot be determined without unreasonable expense.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

14. EQUITY SHARES

	2002 £000 Group	2001 £000 Group
Dealing securities at market value		
Listed on a recognised UK exchange	22,241	14,139
Listed elsewhere	17,736	24,047
Unlisted	3,954	-
	<u>43,931</u>	<u>38,186</u>
Investment securities at cost, less provision for impairment		
Listed on a recognised UK exchange	4,399	6,150
Listed elsewhere	392	488
Unlisted	32,569	40,924
	<u>37,360</u>	<u>47,562</u>
	<u>81,291</u>	<u>85,748</u>

	2002 £000 Group Cost	2002 £000 Group Provision	2002 £000 Group Book Value
Investment securities			
At beginning of year (as reported last year)	57,710	(10,148)	47,562
Gross-up of provisions	<u>13,193</u>	<u>(13,193)</u>	<u>-</u>
At beginning of year (restated)	70,903	(23,341)	47,562
Exchange movements	494	-	494
Additions	7,739	-	7,739
Disposals	(18,219)	-	(18,219)
Provision utilised	-	3,797	3,797
Provisions made during year	-	(4,013)	(4,013)
At end of year	<u>60,917</u>	<u>(23,557)</u>	<u>37,360</u>

The cost of dealing securities does not differ materially from the fair value.

In the previous year the carrying value of certain private equity investments were shown net of provision. These values have now been restated to show the investments at original cost before provision.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

15. SHARES IN GROUP UNDERTAKINGS

	2002 £000 Company	2001 £000 Company
At beginning and end of year	<u>462,332</u>	<u>462,332</u>

The principal subsidiary undertakings of the Group given below are 100% owned and registered in England and Wales and incorporated in the United Kingdom, unless otherwise stated.

Principal operating subsidiary	Country	Nature of business
Investec Group (UK) PLC	**	Holding company
Carr Sheppards Crosthwaite Limited		Private client stockbroking
Investec Asset Management Limited		Asset management
Investec 1 Limited		Holding company
Investec Bank (UK) Limited	*	Banking
Investec Asset Finance PLC	*	Leasing
European Capital Company Limited	*	Project finance
Investec Bank (Channel Islands) Limited	* Guernsey	Banking
Investec Bank (Jersey) Limited	* Jersey	Banking
Investec Bank (Switzerland) AG	* Switzerland	Banking
Investec Group Investments (UK) Limited	*	Investment holding company
Investec Investment Holdings AG	* Switzerland	Investment holding company
Guinness Mahon & Co Limited	*	Holding company
Investec Trust Guernsey Limited (formerly Guinness Flight Trustees sàrl)	* Guernsey	Trust company
Radcliffes Trust Company SA	* Switzerland	Trust company
Theodores Trust & Law Group Limited	* Jersey	Trust company

All the above subsidiary undertakings are included in the consolidated financial statements.

* Principal operating subsidiaries within the Investec Bank (UK) group.

** The sole directly held subsidiary of Investec Holdings (UK) Limited.

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

16. SUBORDINATED LOAN TO GROUP UNDERTAKING

	2002 £000 <i>Company</i>	2001 £000 <i>Company</i>
At beginning and end of year	<u>39,300</u>	<u>39,300</u>

The subordinated loan, on which interest is payable at the rate of sterling LIBOR plus 2.125%, was issued on 31 March 2000 to Investec Bank (UK) Limited, an indirectly wholly owned subsidiary. The loan can be terminated by the Company giving five years and two days notice. At the balance sheet date no such notice has been given. In any event the loan has to be repaid on or before 31 March 2050.

17. INTANGIBLE FIXED ASSETS

	2002 £000 <i>Group</i>	2001 £000 <i>Group</i>
Goodwill		
At beginning of year	178,863	170,791
Acquisitions during year	1,484	22,354
Amortisation for the year	<u>(15,980)</u>	<u>(14,282)</u>
At end of year	<u>164,367</u>	<u>178,863</u>

The goodwill includes negative goodwill of £5,580,000 (2001 - £6,408,000).

During the year, the Group through Investec Bank (UK) Limited acquired the following subsidiary for which the consideration was satisfied in cash.

	Date of acquisition
European Capital Company Limited	20 November 2001

The profit after tax for the period from the beginning of its financial year to the date of acquisition for each of the acquired companies is given below, as is the profit after tax and minority interests for the previous financial year.

	Start date of financial year	Period to date acquired	Previous Financial year
		£000	£000
European Capital Company Limited	1 April 2001	264	306

The book values of the assets and liabilities acquired do not differ materially from the fair values.

Goodwill is amortised evenly over the directors' estimate of useful economic lives ranging from five to twenty years.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

17. INTANGIBLE FIXED ASSETS (continued)

The fair values attributed to the net tangible assets acquired were:

Goodwill arising on acquisitions	Goodwill at beginning of year	Acquisition of European Capital Company Limited	Other Acquisitions and fair value adjustments during year	Acquisitions total during year	Goodwill at end of year
	£000	£000	£000	£000	£000
Cash and balances at central banks		-	301	301	
Loans and advances to banks		1,110	-	1,110	
Loan to ESOP Trust		239	-	239	
Other assets		950	186	1,136	
Total assets		2,299	487	2,786	
Other liabilities		(422)	(144)	(566)	
Fair value of net assets		1,877	343	2,220	
Consideration in cash		3,704	-	3,704	
Goodwill	207,169	1,827	(343)	1,484	208,653
Amortisation of goodwill					
At beginning of year	28,306	-	-	-	28,306
Charge for the year	15,849	131	-	131	15,980
At end of year	44,155	131	-	131	44,286
Net book value - opening	178,863	-	-	-	178,863
Net book value - closing	163,014	1,696	(343)	1,353	164,367

Investec Holdings (UK) Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

18. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Operating lease assets</i>	<i>Freehold property</i>	<i>Leasehold improvements</i>	<i>Furniture, fittings and motor vehicles</i>	<i>Computer Equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation:						
At beginning of year	9,378	617	16,936	4,910	15,816	47,657
Exchange movements	-	-	5	6	24	35
By transfer or acquisition	-	-	-	400	(400)	-
Additions	276	-	175	409	3,258	4,118
Disposals	(1,506)	-	(2)	(214)	(1,093)	(2,815)
At end of year	8,148	617	17,114	5,511	17,605	48,995
Depreciation and amortisation:						
At beginning of year	1,292	17	2,911	2,246	9,238	15,704
Exchange movements	-	-	4	4	18	26
By transfer or acquisition	-	-	-	305	(305)	-
Charge for year	818	7	888	1,046	4,464	7,223
Disposals	(303)	-	-	(181)	(1,235)	(1,719)
At end of year	1,807	24	3,803	3,420	12,180	21,234
Net book value at end of year	6,341	593	13,311	2,091	5,425	27,761
Net book value at beginning of year	8,086	600	14,025	2,664	6,578	31,953

The depreciation and amortisation disclosed in the consolidated profit and loss account do not include the charge for the year of £818,000 (2001 - £787,000) on operating lease assets, which is included in other operating income.

19. OTHER ASSETS

	<i>2002 £000 Group</i>	<i>2001 £000 Group</i>
Settlement debtors	185,178	175,235
Other debtors	31,772	18,369
Assets, including gains, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	66,225	44,151
Deferred tax asset (see Note 20)	12,376	14,989
Properties awaiting disposal	2,110	5,458
Dealing properties	34,702	11,399
Prepayments and accrued income	54,298	58,980
	<u>386,661</u>	<u>328,581</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

20. DEFERRED TAX ASSET AND PROVISION FOR DEFERRED TAX

	2002 £000	2001 £000
Deferred tax asset:		
At beginning of year	14,989	18,411
Adjustment due to disposal of subsidiary	-	410
Movement in the year	(2,613)	(3,832)
At end of year	<u>12,376</u>	<u>14,989</u>
Provision for deferred taxation:		
At beginning of year	-	(1,066)
Movement in the year	-	1,066
At end of year	<u>-</u>	<u>-</u>
Represented by:		
Excess of net book value of assets over capital allowances	8,094	9,335
Tax relief in respect of the utilisation of tax losses brought forward against future taxable income	1,800	1,800
Tax relief in respect of incentive scheme payments	3,293	4,689
Other timing differences	(811)	(835)
	<u>12,376</u>	<u>14,989</u>

To the extent it is likely that profits will arise in future periods deferred tax assets are recognised. The assessment of the likelihood of future profits is based on past performance and current projections. Deferred tax assets are not recognised in respect of capital losses as crystallisation of capital gains and the eligibility of potential capital losses is uncertain.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

21. DEPOSITS BY BANKS

	2002 £000 <i>Group</i>	2001 £000 <i>Group</i>
With agreed maturity date or periods of notice, by remaining maturity:		
Up to three months	1,916,536	2,957,095
Three months to one year	1,290,134	547,166
One year to five years	3,207	-
	<u>3,209,877</u>	<u>3,504,261</u>
Balances with Group companies	<u>9,460</u>	<u>14,830</u>
Deposits by banks comprise:		
Trading book	2,856,510	3,382,415
Banking book	<u>353,367</u>	<u>121,846</u>
	<u>3,209,877</u>	<u>3,504,261</u>

Trading book deposits by banks of £2,361,807,000 (2001 - £2,241,632,000) are secured with government securities under sale and repurchase agreements.

In addition, dealing and market making securities with a value of £440,968,000 (2001 - £1,059,161,000) are used to secure deposits by banks.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

22. CUSTOMER ACCOUNTS

	2002 £000 Group	2001 £000 Group
With agreed maturity date or periods of notice, by remaining maturity:		
Repayable on demand	555,868	834,382
Up to three months, excluding on demand	2,072,205	2,445,998
Three months to one year	642,751	144,028
One year to five years	53,854	39,886
Over five years	64,939	36,301
	<u>3,389,617</u>	<u>3,500,595</u>
Balances with Group companies	<u>19,788</u>	<u>40,727</u>
Customer accounts comprise:		
Trading book	1,822,316	2,140,469
Banking book	<u>1,567,301</u>	<u>1,360,126</u>
	<u>3,389,617</u>	<u>3,500,595</u>

Trading book deposits by customers of £1,172,654,000 (2001 - £1,851,503,000) are secured with government securities under sale and repurchase agreements.

In addition, dealing and market making securities with a value of £4,695,000 (2001 - £3,048,000) are used to secure deposits by customers.

23. DEBT SECURITIES IN ISSUE

	2002 £000 Group	2001 £000 Group
Unlisted certificates of deposit in issue, by remaining maturity:		
Up to three months	<u>75,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

24. OTHER LIABILITIES

	2002	2001
	£000	£000
	<i>Group</i>	<i>Group</i>
Settlement creditors	626,220	535,639
Short position – debt securities : Government securities	356,660	-
Short position – commodities	2,548	-
Short position – equities	31,278	21,577
Other creditors	32,910	47,193
Liabilities, including losses, resulting from off-balance sheet interest rate, exchange rate, equities and commodities contracts which are marked to market	32,959	41,512
Provision for deferred tax (see Note 20)	-	-
Current corporation tax	13,184	19,077
Accruals and deferred income	136,256	166,548
	<u>1,232,015</u>	<u>831,546</u>

The liability, shown above, resulting from off-balance instruments is stated after deducting £31,686,000 (2001 - £nil) of cash collateral meeting the offset criteria of FRS5.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

25. SUBORDINATED DEBT

	2002	2002	2001	2001
	£000	£000	£000	£000
	Group	Company	Group	Company
Variable rate notes				
At beginning of year	123,323	123,323	122,475	122,475
Exchange movements	2	5	848	848
Issued during the year	7,200	7,200	-	-
Issued during the year	24,700	24,700	-	-
Issued during the year	2,400	-	-	-
Repaid during the year	-	-	-	-
At end of year	<u>157,625</u>	<u>155,228</u>	<u>123,323</u>	<u>123,323</u>

£102,208,000 and £13,250,000 of the loan capital, on which interest is payable at the rate of sterling LIBOR plus 2.000%, was issued on 31 March 2000 and is held by Investec Finance SA, a company wholly owned by the ultimate parent company. The loans can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements, no such notice has been received. The final maturity date for the loans is 31 March 2050.

US\$11,200,000 of the loan capital, on which interest is payable at the rate of US dollar LIBOR plus 2.000%, was issued on 31 March 2000 and is held by Investec Finance SA, a company wholly owned by the ultimate parent company. The loan can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements, no such notice has been received. The final maturity date for the loan is 31 March 2050.

£ 7,200,000 of the loan capital, on which interest is payable at the rate of three months Sterling LIBOR plus 2.000%, was issued on 30 April 2001 and is held by Investec Finance SA, a company wholly owned by the ultimate parent company. The loan can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements, no such notice has been received. The final maturity date for the loans is 31 March 2050.

£ 24,700,000 of the loan capital, on which interest is payable at the rate of three months Sterling LIBOR plus 1.250%, was issued on 10 September 2001 and is held by Investec Finance SA, a company wholly owned by the ultimate parent company. The loan can be terminated by the lender giving five years and two days notice. At the date of signature of the financial statements, no such notice has been received. The final maturity date for the loans is 31 March 2050.

£400,000 of the loan capital, on which interest is payable at the rate of six months Sterling LIBOR plus 2.000%, was issued to Investec Asset Management Limited, an indirectly wholly owned subsidiary undertaking of the company, on 16 December 1998 and is held by Investec Asset Management (Ireland) Limited. The loan can be terminated by the lender giving five years and one day's notice and is subordinated to all claims of other creditors of the subsidiary undertaking. At the date of signature of the accounts, no such notice has been received.

£2,000,000 of the loan capital, on which interest is payable at the rate of six months Sterling LIBOR plus 2.000%, was issued to Investec Asset Management Limited, an indirectly wholly owned subsidiary of the company, on 27 September 2001 and is held by Investec Asset Management (BVI) Limited. The loan can be terminated by the lender giving two years and one day's notice and is subordinated to all claims of other creditors of the subsidiary undertaking. At the date of signature of the accounts, no such notice has been received.

Claims in respect of the subordinated loan capital are not secured and are subordinate to the claims of all other creditors.

NOTES TO THE FINANCIAL STATEMENTS

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26. CALLED UP SHARE CAPITAL

	2002 £000 <i>Company</i>	2001 £000 <i>Company</i>
Authorised		
Ordinary shares of £1 each – 1,000,000,000	<u>1,000,000</u>	<u>1,000,000</u>
Issued, allotted and fully paid		
At beginning and end of year	<u>462,332</u>	<u>462,332</u>

27. RESERVES

	<i>Revaluation reserves on freehold properties</i>	<i>Legal and other reserves</i>	<i>Profit and loss account</i>	<i>Total</i>	
	<i>Group 2002 £000</i>	<i>Group 2002 £000</i>	<i>Group 2002 £000</i>	<i>Group 2002 £000</i>	<i>Company 2002 £000</i>
At beginning of year	94	231	97,922	98,247	(5,699)
Retained profit / (loss) for the year	-	-	32,509	32,509	(5,196)
Currency translation differences	-	-	(40)	(40)	-
Transfer between reserves	(94)	-	94	-	-
At end of year	<u>-</u>	<u>231</u>	<u>130,485</u>	<u>130,716</u>	<u>(10,895)</u>

28. RECONCILIATION OF SHAREHOLDERS' EQUITY

	2002 £000 <i>Group</i>	2002 £000 <i>Company</i>	2001 £000 <i>Group</i>	2001 £000 <i>Company</i>
Retained profit / (loss) for the year	32,509	(5,196)	57,168	(5,699)
Currency translation differences	(40)	-	2,207	-
Net change to shareholders' equity	<u>32,469</u>	<u>(5,196)</u>	<u>59,375</u>	<u>(5,699)</u>
Opening shareholders' equity	<u>560,579</u>	<u>456,633</u>	<u>512,615</u>	<u>462,332</u>
Closing shareholders' equity	<u>593,048</u>	<u>451,437</u>	<u>560,579</u>	<u>456,633</u>

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

29. STOCK BORROWING AND LENDING

	2002 £000 Group	2001 £000 Group
Stock borrowed against non-cash collateral	<u>5,115,830</u>	<u>6,144,538</u>
Stock lent against non-cash collateral	<u>726,706</u>	<u>776,156</u>

The Group borrows and lends stock against cash and non-cash collateral. The cash collateral is included on the balance sheet as appropriate in either loans, deposits or customer accounts.

Non-cash collateral is in the form of gilts, equities, certificate of deposit and other equivalent stock.

30. CONTINGENT LIABILITIES

	2002 £000 Group	2001 £000 Group
Guarantees and irrevocable Letters of Credit	115,700	84,396
Other contingent liabilities	<u>4,873</u>	<u>9,049</u>
	<u>120,573</u>	<u>93,445</u>

The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date.

Other contingent liabilities relate to indemnities and warranties issued by Group companies in respect of taxation and other matters on disposal of various shareholdings.

31. COMMITMENTS

	2002 £000 Group	2001 £000 Group
Forward repurchase agreements	449,987	142,542
Undrawn facilities	202,507	92,780
Uncalled capital on investments and irrevocable subscription undertakings	9,043	9,692
	<u>661,537</u>	<u>245,014</u>

The Group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business.

32. OPERATING LEASE COMMITMENTS

The Group has an annual commitment of £11,485,000 (2001 - £10,600,000) in respect of property operating leases expiring in a period greater than five years.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

33. FINANCIAL INSTRUMENTS

FRS 13 disclosure

Certain disclosures required by FRS 13 have been included in the Risk Management Review section on pages 5 to 11 which forms part of the Directors' Report.

Fair values

The Group's trading book comprises treasury bills, settlement accounts, debt securities, equity shares, short positions in securities, and derivatives as well as secured customer loans and deposits. All amounts are included in the balance sheet at fair value.

Financial instruments held for non-trading book purposes and for which a liquid and active market exists:

<i>Group</i>	<i>2002 Carrying value £000</i>	<i>2002 Marked-to- market values £000</i>	<i>2001 Carrying value £000</i>	<i>2001 Marked-to- market values £000</i>
Assets				
Debt securities	904,226	903,707	375,342	376,010
Equity shares	35,983	46,208	44,961	53,671
	<u>940,209</u>	<u>949,915</u>	<u>420,303</u>	<u>429,681</u>
Liabilities				
Debt securities in issue	<u>75,000</u>	<u>75,003</u>	<u>-</u>	<u>-</u>

Where possible, marked-to-market values have been estimated using market prices for these financial instruments. For unlisted equity investments, where market prices are not available, the fair values have been estimated by management.

34. DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS)

The Group enters into various contracts for derivatives both as principal for both trading and non-trading purposes. Trading transactions include transactions undertaken for market making, to service customers' needs and for proprietary purposes. Non-trading transactions are those which are used by the Group for hedging purposes. Transactions are negotiated directly with customers, including other financial institutions, or can be dealt through exchanges. All futures contracts are exchange traded.

In the tables below, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The replacement cost, which is considered to be the fair value, represents the cost of replacing contracts with positive values calculated at market rates current at the balance sheet date. The credit risk weighted amount, which is calculated according to rules specified by the Financial Services Authority, is based on the replacement cost, but also takes into account measures of the extent of potential future credit exposure and the nature of the counterparty.

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

34. DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS) (continued)

The notional principal amounts and maturities of non-trading derivatives held at 31 March are as follows:

Group	Up to 1 year 2002 £000	1 to 5 years 2002 £000	More than 5 years 2002 £000	Total 2002 £000	Up to 1 year 2001 £000	1 to 5 years 2001 £000	More than 5 years 2001 £000	Total 2001 £000
Interest rate contracts:								
Caps and floors	-	17,051	-	17,051	5,228	6,031	6,304	17,563
Swaps	308,267	333,349	174,605	816,221	107,900	174,173	27,542	309,615
Forward rate agreements	1,834,257	22,667	-	1,856,924	-	-	-	-
Futures	235,319	223,377	-	458,696	205,056	88,483	-	293,539
	<u>2,377,843</u>	<u>596,444</u>	<u>174,605</u>	<u>3,148,892</u>	<u>318,184</u>	<u>268,687</u>	<u>33,846</u>	<u>620,717</u>
Foreign exchange derivatives:								
Forward contracts	836,144	33,748	-	869,892	1,680,581	59,140	-	1,739,721
Currency Swaps	-	59,424	-	59,424	-	79,306	-	79,306
Options	3,316	-	-	3,316	31,730	-	-	31,730
	<u>839,460</u>	<u>93,172</u>	<u>-</u>	<u>932,632</u>	<u>1,712,311</u>	<u>138,446</u>	<u>-</u>	<u>1,850,757</u>
Equity and stock index derivatives:								
Equity swaps and forward contracts	67	-	-	67	166	-	-	166
Options and warrants	9,351	54,283	-	63,634	-	3,595	-	3,595
	<u>9,418</u>	<u>54,283</u>	<u>-</u>	<u>63,701</u>	<u>166</u>	<u>3,595</u>	<u>-</u>	<u>3,761</u>
Commodity derivatives:								
Options	470,120	375,126	622,490	1,467,736	-	-	-	-
Commodity swaps and forward contracts	297,359	1,850	-	299,209	930,657	50,282	-	980,939
Futures	2,668,267	241,504	-	2,909,771	-	-	-	-
	<u>3,435,746</u>	<u>618,480</u>	<u>622,490</u>	<u>4,676,716</u>	<u>930,657</u>	<u>50,282</u>	<u>-</u>	<u>980,939</u>
Credit derivatives								
Credit swaps	-	1,633	7,639	9,272	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2002

34. DERIVATIVES (OFF-BALANCE SHEET FINANCIAL INSTRUMENTS) (continued)

The risk weighted amount and replacement costs of these contracts are as follows:

<i>Group</i>	<i>2002 Credit risk weighted amount £000</i>	<i>2002 Replacement cost £000</i>	<i>2001 Credit risk weighted amount £000</i>	<i>2001 Replacement cost £000</i>
For trading purposes:				
Interest rate contracts	1,188	4,389	889	1,336
Foreign exchange derivatives	15,956	22,161	16,095	42,987
Equity and stock index derivatives	2,098	1,609	-	17
Commodity derivatives	25,683	116,314	-	20,180
	<u>44,925</u>	<u>144,473</u>	<u>16,984</u>	<u>64,520</u>
Effect of netting		<u>(78,248)</u>		<u>(20,368)</u>
		<u>66,225</u>		<u>44,152</u>
For non-trading purposes:				
Interest rate contracts	1,314	5,620	77	850
Credit derivatives	1,633	3	-	-
	<u>2,947</u>	<u>5,623</u>	<u>77</u>	<u>850</u>

<i>Group</i>	<i>Group 2002 £000</i>	<i>Group 2001 £000</i>
Net replacement cost by counterparty		
Banks and other financial institutions	52,706	29,732
Other corporate and public bodies	<u>19,142</u>	<u>15,270</u>
	<u>71,848</u>	<u>45,002</u>

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at 31 March 2002

35. HEDGING INSTRUMENTS

Marked-to-market gains and losses on derivatives used for hedging are recognised in line with the underlying items which are being hedged.

	2002 £000 Group	2001 £000 Group
Unrecognised gains expected to be recognised in the next financial year	15	2,396
Unrecognised gains expected to be recognised in subsequent years	622	474
Total unrecognised gains on derivatives used for hedging at end of year	<u>637</u>	<u>2,870</u>
Unrecognised losses expected to be recognised in the next financial year	(22)	(326)
Unrecognised losses expected to be recognised in subsequent years	(268)	(562)
Total unrecognised losses on derivatives used for hedging at end of year	<u>(290)</u>	<u>(888)</u>

These values have been calculated by reference to the ultimate maturity date of the derivatives.

Of the gains and losses included in the profit and loss account in 2002, gains of £68,000 and losses of £451,000 were unrecognised at 31 March 2001.

36. RELATED PARTY TRANSACTIONS

As the Group is a 100% subsidiary undertaking, and consolidated financial statements for its ultimate parent, Investec Holdings Limited, are publicly available, group transactions have not been disclosed pursuant to the exemptions permitted in FRS 8.

A group company has a loan of £xxx,000 (2001 - £423,000) at commercial rates due from an officer (2001 - one).

37. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking, and controlling party, is Investec Holdings Limited, a company incorporated in the Republic of South Africa and quoted on the Johannesburg Stock Exchange. The immediate parent undertaking is Investec Finance S.A., a company incorporated in the Grand Duchy of Luxembourg.

The consolidated financial statements of the ultimate parent are available to the public and may be obtained from Investec Group Limited's principal place of business: 100 Grayston Drive, Sandown, Sandton, 2196, South Africa, or from Investec Bank (UK) Limited at 2 Gresham Street, London EC2V 7QP.

Consolidated financial statements have also been prepared for the European parent of the Company, Investec S.A., a company incorporated in the Grand Duchy of Luxembourg. These are available from the addresses above.

The Group has taken advantage of the exemption in FRS 1 not to present its own cash flow statement. The Company's ultimate holding company, Investec Holdings Limited, registered in South Africa includes a cash flow statement in its published financial statements.